



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Senator Lesser, Representative Wood, Senator Hwang, Representative Pavalock-D'Amato and members of the Insurance and Real Estate Committee, my name is Andrew Mais, Commissioner of the Connecticut Insurance Department. Thank you for the opportunity to provide testimony in support of the Department's bills:

HB 5388 AN ACT CONCERNING THE INSURANCE DEPARTMENT'S RECOMMENDATIONS REGARDING VALUE-ADDED PRODUCTS AND SERVICES AND PROHIBITED INSURANCE PRACTICES

The core mission of the Connecticut Insurance Department is consumer protection. The Department carries out its mission by enforcing State insurance laws to ensure that policyholders and claimants are treated fairly, as well as by closely monitoring the financial condition of insurance carriers to make certain that they are solvent, appropriately manage risk, and are able to pay policy claims as they arise.

As Commissioner of the Insurance Department, I am a strong proponent of innovation and technologic advances within the insurance industry. An Act Concerning Value-Added Products or Services will provide an opportunity to consumers to have access to innovative products and services. The National Association of Insurance Commissioners (NAIC) has developed amendments to the NAIC Model Unfair Trade Practices Act that will allow for certain value-added products or services at no or reduced cost when the products or services are not referenced in the policy. This bill will amend existing statutes that currently prohibit insurance companies from providing consideration or inducement not specified in the insurance policy. To be allowed, such value-added products or services must have a legitimate nexus to the value of the insurance coverage, be designed to provide loss control, improve health, reduce risk, and other intents, and are provided in a fair and nondiscriminatory manner to insureds.

The Department will have the ability to track the types of value-added services or products being offered and will be provided with data which will show what if any outcome derives from these services or products. Some possible outcomes may include lower incident rates and rate reductions.

HB 5382 AN ACT CONCERNING THE INSURANCE HOLDING COMPANY ACT

This bill adopts the most recent amendments made by the NAIC to the Model Insurance Holding Company Act concerning group capital calculation (GCC) for the purpose of group solvency supervision, liquidity stress test (LST) for macroprudential surveillance, and the continuation of essential services and functions to an insurer in receivership by affiliated entities and further clarify ownership of data and records of the insurer.

States with insurance groups impacted by the Covered Agreements, such as Connecticut, are strongly encouraged by the NAIC to adopt the GCC provision prior to November 7, 2022, and the LST provisions as soon as possible. The Covered Agreements are the "Bilateral Agreement

Between the United States of America and the European Union on Prudential Measures Regarding Insurance and Reinsurance” and a substantially similar agreement between the United States and United Kingdom which were signed in 2017 and 2018, respectively.

The GCC is intended to meet the requirement that the states have a “worldwide group capital calculation” in place by November 7, 2022, in order to avoid the EU from imposing a group capital assessment or requirement at the level of the worldwide parent undertaking. Failure of any state to do so for any U.S. group operating in such jurisdiction raises the potential for any supervisor in the EU or UK to impose its own group capital calculation on that group and therefore all of the U.S. insurers within that group. Both GCC and LST will likely also become NAIC accreditation standards. These amendments adopted by the NAIC in 2021 are currently being proposed and implemented in numerous other states, specifically those states, like Connecticut, that are worldwide supervisors of an insurance group that has affiliates in either the EU or the UK.

The bill also makes further technical changes including updating the definition of an internationally active insurance group by clarifying additional sources of funds to be included as part of gross written premiums.

SB 359 AN ACT CONCERNING STANDARD NONFORFEITURE LAW FOR LIFE INSURANCE

This bill amends our statutes to be in accordance with the NAIC model law guidance and lowers the minimum nonforfeiture interest rate from one per cent to 0.15 per cent. This amendment was made due to the changing economic environment and the determination that it was unreasonable to require insurers to offer interest rates that were higher than investors could secure through a financial institution. It is anticipated that this change will be adopted by all other states.

SB 360 AN ACT CONCERNING VARIOUS CHANGES TO THE UTILIZATION REVIEW STATUTES

Finally, in line with the Governor’s mission to help Connecticut become more business-friendly and remove administrative red tape, we are proposing a change to our Utilization Review statutes to streamline the process for utilization review corporations doing business here in Connecticut. This bill changes the current Utilization review license from a one-year license term to a two-year term. The license renewal fee is the same for each year, but it is only paid once during the two-year term, so the fee has changed from \$3,000.00 to \$6,000.00 in this bill.

We are also proposing to revise the requirement to notify the commissioner of any material change to include notification of a material change to the utilization review company’s policies or procedures that were previously approved, or material changes to the denial letters or criteria being used.

On other bills before the committee (SB 355, SB 354, HB 5387, HB 5383), the Department asks for a technical change, that the regulation making requirements be changed from “shall” to “may”. The Department is happy to draft these regulations if necessary, but if they are all required using the “shall” language, the time frame to complete them would be the same for

them all and the Department does not have the bandwidth in the legal division to complete all of these regulations at the same time, in addition to any others that may be in the pipeline already.